

# Senate File 2137 - Introduced

SENATE FILE 2137

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## A BILL FOR

1 An Act temporarily updating the Code references to the Internal  
2 Revenue Code and decoupling from certain federal bonus  
3 depreciation provisions, and including effective date and  
4 retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1.   INTERNAL REVENUE CODE REFERENCES FOR  
2 2015.   Notwithstanding the definition of "Internal Revenue  
3 Code" in section 15.335, subsection 7, section 422.3,  
4 subsection 5, section 422.10, subsection 3, section 422.32,  
5 subsection 1, and section 422.33, subsection 5, Code 2016,  
6 the following shall apply for the period beginning January 1,  
7 2015, and ending December 31, 2015, and for tax years beginning  
8 during the 2015 calendar year:

9     1.   The definition of "Internal Revenue Code" for purposes  
10 of section 15.335, subsection 7, section 422.10, subsection 3,  
11 and section 422.33, subsection 5, Code 2016, and for purposes  
12 of references in the 2016 Iowa Code and 2016 Iowa Acts to the  
13 definition of "Internal Revenue Code" in those sections, shall  
14 mean the Internal Revenue Code in effect on January 1, 2016.

15     2.   The definition of "Internal Revenue Code" for purposes  
16 of sections 422.3 and 422.32, Code 2016, and for purposes of  
17 references in the 2016 Iowa Code and 2016 Iowa Acts to the  
18 definition of "Internal Revenue Code" in those sections, shall  
19 mean the Internal Revenue Code of 1954, prior to the date of  
20 its redesignation as the Internal Revenue Code of 1986 by the  
21 Tax Reform Act of 1986, or means the Internal Revenue Code of  
22 1986 as amended to and including January 1, 2016.

23     Sec. 2.   DEDUCTION FOR STATE SALES AND USE TAX FOR  
24 2015.   Notwithstanding section 422.9, subsection 2, paragraph  
25 "i", Code 2016, the deduction for state sales and use taxes is  
26 allowable under section 422.9 for tax years beginning during  
27 the 2015 calendar year, but only if the taxpayer elected to  
28 deduct the state sales and use taxes in lieu of state income  
29 taxes under section 164 of the Internal Revenue Code.   The  
30 deduction for state sales and use taxes is not allowed if the  
31 taxpayer has taken the deduction for state income taxes or  
32 claimed the standard deduction under section 63 of the Internal  
33 Revenue Code.

34     Sec. 3.   BONUS DEPRECIATION FOR 2015.

35     1.   Notwithstanding section 1 of this Act, or any other

1 provision of law to the contrary, the additional first-year  
2 depreciation allowance authorized in section 168(k) of the  
3 Internal Revenue Code, as enacted by Pub. L. No. 114-113, §143,  
4 does not apply in computing net income for state tax purposes  
5 for tax years ending on or after January 1, 2015, but before  
6 January 1, 2016. If the taxpayer has taken the additional  
7 first-year depreciation allowance for purposes of computing  
8 federal adjusted gross income or federal taxable income, as  
9 the case may be, then the taxpayer, when computing net income  
10 for purposes of the individual income tax under section 422.7  
11 or the corporation income tax or franchise tax under section  
12 422.35, shall make the adjustments described in section 422.7,  
13 subsection 39A, paragraphs "a" through "c", Code 2016, or  
14 described in section 422.35, subsection 19A, paragraphs "a"  
15 through "c", Code 2016, as applicable.

16 2. In addition to the requirements of section 422.5,  
17 subsection 2, paragraph "b", subparagraph (1), Code 2016,  
18 for purposes of the state alternative minimum taxable income  
19 calculation in section 422.5, subsection 2, paragraph "b",  
20 subparagraph (1), to the extent that any preference or  
21 adjustment is determined by an individual's federal adjusted  
22 gross income, the individual's federal adjusted gross income is  
23 computed in accordance with subsection 1 of this section for  
24 tax years beginning during the 2015 calendar year.

25 3. In addition to the requirements of section 422.9,  
26 subsection 2, paragraph "h", Code 2016, for purposes of  
27 calculating the deductions in section 422.9 that are authorized  
28 under the Internal Revenue Code, and to the extent that  
29 any such deduction is determined by an individual's federal  
30 adjusted gross income, the individual's federal adjusted gross  
31 income is computed in accordance with subsection 1 of this  
32 section for tax years beginning during the 2015 calendar year.

33 Sec. 4. EFFECTIVE UPON ENACTMENT. This Act, being deemed of  
34 immediate importance, takes effect upon enactment.

35 Sec. 5. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 2015.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with  
4 the explanation's substance by the members of the general assembly.

5 This bill updates for 2015 the Iowa Code references to the  
6 Internal Revenue Code to make federal income tax revisions  
7 enacted by Congress in 2015 applicable for a certain period of  
8 time, to allow the deduction for state sales and use tax, and  
9 to decouple with certain bonus depreciation provisions.

10 INTERNAL REVENUE CODE REFERENCES. The bill provides that  
11 notwithstanding several Code provisions as specified in the  
12 bill, the definitions of "Internal Revenue Code" in those Code  
13 provisions and, by internal reference, in other sections of the  
14 Iowa Code and Iowa Acts shall mean the Internal Revenue Code  
15 in effect on, or as amended to and including, January 1, 2016.  
16 This definition change applies only to the period beginning  
17 January 1, 2015, and ending December 31, 2015, and for tax  
18 years beginning during the 2015 calendar year.

19 The affected Code provisions include Code sections 422.3  
20 and 422.32, general definition sections in the chapter of the  
21 Code that governs corporate and individual income tax and the  
22 franchise tax, and Code sections 15.335, 422.10, and 422.33,  
23 which contain references to the Internal Revenue Code for the  
24 state research activities credit for individuals, corporations,  
25 and corporations in economic development areas.

26 Code section 422.9 provides individuals a deduction from  
27 net income for state sales and use taxes if the individual  
28 chose to deduct sales and use tax in lieu of state income taxes  
29 or the standard deduction for federal income tax purposes.  
30 This deduction was set to expire under both federal and Iowa  
31 law for tax years beginning on or after January 1, 2015. The  
32 federal Protecting Americans from Tax Hikes Act of 2015 made  
33 the federal deduction permanent. The bill allows the Iowa  
34 deduction for tax years beginning during the 2015 calendar  
35 year.

1     BONUS DEPRECIATION. The bill decouples, for Iowa income tax  
2 purposes for tax years ending on or after January 1, 2015, but  
3 before January 1, 2016, from the federal additional first-year  
4 depreciation allowance in section 168(k) of the Internal  
5 Revenue Code (bonus depreciation) which was modified and  
6 extended through 2019 by the federal Protecting Americans from  
7 Tax Hikes Act of 2015. Taxpayers who claim bonus depreciation  
8 for federal tax purposes are, for the applicable tax year,  
9 required to add such depreciation amounts back to Iowa net  
10 income, but are then allowed under existing state law to deduct  
11 the amount of depreciation that would otherwise be allowable  
12 under federal law, without regard to the bonus depreciation  
13 allowance.

14     Under current law, taxpayers are in some instances required,  
15 when calculating alternative minimum tax under Code section  
16 422.5(2) and itemized deductions under Code section 422.9(2),  
17 to recompute their federal adjusted gross income to take  
18 into account the fact that Iowa has decoupled from bonus  
19 depreciation. The bill provides that taxpayers must make those  
20 same adjustments to federal adjusted gross income for tax year  
21 2015 to account for the fact that Iowa has decoupled from bonus  
22 depreciation as described above.

23     The bill takes effect upon enactment and applies  
24 retroactively to January 1, 2015.